

STATE OF WASHINGTON**OFFICE OF
INSURANCE COMMISSIONER****BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

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In the Matter of)	
)	NO. D 99 - 34
WORLD INSURANCE COMPANY,)	
)	CONSENT AND ORDER
An Authorized Insurer.)	TO PAY FINE
)	

CONSENT TO ORDER

WORLD INSURANCE COMPANY hereby consents to the payment of a fine in the sum of \$45,000 for its conduct of failing to respond promptly to an inquiry from the Office of Insurance Commissioner in violation of WAC 284-30-650 and its violations of Chapter 48.43 RCW by relying on pre-existing conditions and declining to reinstate disability policies based on underwriting reasons. This is based on the following facts:

On October 17, 1997 a letter from Compliance Officer, Eric Langdon, was directed to the attention of Michael Knadle at World Insurance Company. The letter was as a result of a telephone conversation between the two discussing World Insurance and its reinstatement of a policy for a Rollie Harmon, Policy No. WI - 15441757, which had lapsed.

World Insurance had acquired a book of business from Mid-America Mutual in April of 1997 when the two companies merged. Mr. Harmon had been insured for eight years when his policy lapsed for nonpayment of premium. At first World would not reinstate the policy due to underwriting reasons; Mr. Hannon's build. After Mr. Harmon contacted this office, his policy was reinstated on a standard basis.

As a result of Mr. Harmon's complaint it was understood that World would not continue to refuse reinstatement of policies in situations such as this being in violation of Chapter 48.43 RCW. However, two subsequent complaints, that of Markham G. Negles - Policy 15489818 and Timothy Koontz - Policies 15431829 and 45431829, were received.

In a letter of October 17, 1997 World Insurance was instructed to review its book of business for other violations of Chapter 48.43 RCW. There was no response to that letter and on November 24, 1997 another letter was directed to the company addressing its nonresponse violations of WAC 284-30-650 as well as the two additional complaints received.

Mr. Negles had been insured for six years. In September of 1997 his policy lapsed for nonpayment of premium. Upon notice of the lapse, Mr. Negless submitted his premium. The premium was returned to Mr. Negless with instruction that he must submit a reinstatement application and payment. He did so. The company declined to reinstate his policy due to underwriting reasons.

Mr. Koontz had been insured for approximately the past nine years. His policy lapsed for non-payment of premium on August 2, 1997. On August 11, he returned his application for reinstatement. The company did not reinstate his policy insisting on a telephone interview first.

It was not until a letter dated January 6, 1998 which was received January 20, 1998 that World responded to the November 24th letter. World was relying on the MidAmerica filing to exempt itself from Chapter 48.43 RCW and its policy reinstatement provisions.

The reinstatement provisions, written pursuant to RCW 48.20.072 provide:

If any renewal premium be not paid within the time granted the insured for payment, a subsequent acceptance of premium by the insurer or by any agent duly authorized by the insurer to accept such premium, without requiring in connection therewith an application for reinstatement, shall reinstate the policy: PROVIDED, HOWEVER, That if the insurer or such agent requires an application for reinstatement and issued a conditional receipt far the premium tendered, the policy will be reinstated upon approval of such application by the insurer or lacking such approval, the forty-fifth day following the date of such conditional receipt unless the insurer has previously notified the insured in writing of its disapproval of such application

In response to the position asserted by World, the company was informed by letter of February 12, 1998 of RCW 48.43.025, adapted in 1995 which states:

No carrier may reject an individual for health plan coverage based upon preexisting conditions of the individual and no carrier may deny, exclude, or otherwise limit coverage for an individual's preexisting health conditions. . .

Based on the statute, World was informed that it was precluded from refusing to reinstate the policies of Messrs. Negless and Koontz as written prior to the lapse without reunderwriting. World was also instructed that if it did not choose to reinstate a lapsed policy, it could not accept any premium. World did not respond to that letter and another was mailed dated March 17, 1998 informing again of its failure to comply with RCW 48.43.025 and WAC 284-30-650.

This did prompt a response of March 31, 1998 in which World replied that in neither case did it accept these checks as they were not cashed but returned to the consumers.

A follow-letter of April 6, 1998 was sent to World from this office instructing World that not accepting the checks did not alter the fact that it had reunderwritten the policies and had declined reinstatement not for nonpayment of premium but after reunderwriting the risks in violation of RCW 48.43.025. It was further requested that World offer reinstatement of the policies to the consumer. World has not responded as of this date.

Based on the foregoing, WORLD INSURANCE COMPANY voluntarily consents to the following order with the understanding that such fine is in lieu of any suspension or revocation of its certificate of authority for such conduct.

SIGNED this 30th day of March, 1999.

WORLD INSURANCE COMPANY

By

Title

ORDER

Pursuant to RCW 48.05.185 and the foregoing Consent to Order, the Insurance Commissioner hereby imposes a fine in the amount of \$45,000 upon WORLD INSURANCE COMPANY.

Such fine shall be paid in full within 30 days from the date of this Order. Upon failure to pay such fine, the Commissioner will suspend the certificate of authority of the insurer, and the fine will be recoverable in a civil action brought on behalf of the Commissioner by the Attorney General.

Further, World Insurance Company is to extend an offer to reinstate the policies of Messrs. Negles and Koontz and to any other policy holder whose policy has lapsed and was reunderwritten contrary to statute.

ISSUED AT OLYMPIA, WASHINGTON, this 31st day of March, 1999.

DEBORAH SENN
Insurance Commissioner

By

MARY M. COTTER
Enforcement Attorney